

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 GSA-01 INT-05 SP-02

AID-05 NSC-05 RSC-01 CIEP-01 TRSE-00 SS-15 STR-01

OMB-01 CEA-01 COME-00 OPIC-03 L-02 CIAE-00 INR-05

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FM AMCONSUL PARAMARIBO

TO SECSTATE WASHDC IMMEDIATE 1846

INFO AMEMBASSY SANTO DOMINGO IMMEDIATE

AMEMBASSY THE HAGUE IMMEDIATE

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

C O N F I D E N T I A L PARAMARIBO 545

C O R R E C T E D C O P Y (PARAGRAPH ONE; LINES FOUR AND FIVE)

E.O. 11652: GDS

TAGS: EMIN, EIND, EFIN, NS

SUBJECT: ALCOA/SURALCO-GOS BAUXITE NEGOTIATIONS

REF: A. PARAMARIBO 465 B. PARAMARIBO 535

1. ALCOA-GOS REVENUE TALKS RECESSED TODAY WITH COMPANY AND GOVERNMENT LONG DISTANCE APART ON MAGNITUDE OF INCREASE AFTER ONE AND ONE-HALF DAYS OF NEGOTIATIONS CONDUCTED IN FRIENDLY ATMOSPHERE. MEETING WAS POSTPONED UNTIL NOV 18 TO PERMIT LAST-MINUTE PARTICIPATION OF SURALCO PRES JOE YATES. SALIENT POINTS FOLLOW:

2. FOLLOWING COMPLIMENTARY REMARKS BY MINPRES ARRON AND MINDEVELOPMENT CAMBRIDGE PRAISING SURALCO AS FORTHCOMING AND GOOD CITIZEN OF SURINAM, GOS TEAM PROPOSED AGREEMENT THAT SURINAM HAS VALID INTEREST IN THREE BROAD POINTS: (A) PRODUCTION LEVY, (B) PRICING, AND (C) GOS CONTROLS ON PRODUCTION.

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ALCOA AGREED, IN PRINCIPLE, SUBJECT TO GOS CONSULTATION WITH

COMPANY AND TO MARKET CONDITIONS. ARRON AND CAMBRIDGE NOT PRESENT FOR SUBSTANTIVE PORTION OF TALKS.

3. GOS TEAM OPENED WITH VERY HIGH DEMAND FOR LEVY WHICH WOULD RAISE BAUXITE ROYALTY TO NEIGHBORHOOD OF DOLS 17 PER TON, OR ABOUT DOLS 6.00 ABOVE JAMAICAN SETTLEMENT. COMPANY SURPRISED AT THIS, COUNTERED WITH PROPOSAL INCREASE TO DOLS 8.00 PER TON. REST OF FIRST DAY MAINLY OCCUPIED IN ALCOA EXPOSITION OF ALUMINUM/BAUXITE ECONOMICS TO SHOW GOS FIGURE IMPOSSIBLY HIGH.

4. ONLY POINT AT WHICH TALKS GREW SLIGHTLY TENSE WAS DURING GOS ATTACK ON BROKOPONDO AGREEMENT (BASIC SURALCO-GOS WORKING ACCORD) AS A "FRUSTRATION" IN CONTEXT ALCOA'S DEFENSE OF RIGHT TO EXPORT BAUXITE AGAINST GOS CONTENTION NEARLY ALL ORE SHOULD BE PROCESSED HERE. CRITICISM FAR SHORT OF TREATY DENOUNCEMENT AND MOST OF DISCUSSION NOT RELATED TO BROKOPONDO. HOWEVER, EXPANSION OF PROCESSING SURELY TO BE ADDRESSED AT SOME POINT AFTER PRODUCTION LEVY MAGNITUDE RESOLVED.

5. OVERALL ATMOSPHERE OF TALKS WAS RELAXED, GOOD-HUMORED AND COMPLETELY FREE OF TENSION PERVADING JAMAICA NEGOTIATIONS, ACCORDING ALCOA VICE PRESIDENT-COMPTROLLER WINKLER, WHO ON COMPANY TEAM AT KINGSTON. CLEAR FROM ACCOUNTS OF WINKLER, YATES AND BUSTION OF ALCOA THAT COMPANY SIDE PLEASED AND RESPONDED IN KIND TO GOS EFFORTS PUT CONFEREES AT EASE. PRIOR MEETING, I EXPANDED ON REF B COMMENT WITH ALCOA TEAM.

6. GOS TEAM APPARENTLY HAD NO INSTRUCTIONS OR LATITUDE FOR COMPROMISE, MUST RETURN TO CAMBRIDGE AND ARRON TO DISCUSS EACH IMPASSE AND OBTAIN NEW BARGAINING AUTHORITY. HENCE, ONLY FIRST OF THREE PRINCIPLES DISCUSSED IN ANY DETAIL PRIOR RECESS. UNSURE WHEN GOS WILL RECONVENE TALKS BUT YATES, WHO REMAINING UNTIL NOV. 23, AND WINKLER UNTIL NEXT WEEK ARE HOPEFUL NEGOTIATIONS WILL RESUME BY WEEKEND.

7. CLEAR TO ALL THAT BADLY STRAPPED GOS IS AFTER QUICK, MAJOR INFUSION OF CASH WITH ALL ELSE SUCH AS PRODUCTION CONTROLS, EXPLOITATION OF OTHER RESOURCES, EVEN IN-COUNTRY ORE PROCESSING SECONDARY TO THIS.

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IM COMMENT: DESPITE EXTREME OPENING DEMAND, PROBABLY TABLED WITH EXPECTATION OF BARGAINING DOWN TO JAMAICAN FIGURE OR PERHAPS SLIGHTLY BELOW IT, POSITIVE FEATURE OF TALKS SO FAR IS GOOD ATMOSPHERE IN WHICH THEY CONDUCTED, READINESS TO LISTEN ON BOTH SIDES. THERE IS YET NO HINT OF IMPOSED SOLUTION FROM GOS SIDE.

9. PRIOR CONFERENCE, I HAD OPPORTUNITY DISCUSS TALKS WITH CAMBRIDGE TO AGAIN NOTE USG CONCERN THAT REAL NEGOTIATIONS TAKE PLACE AND END IN REASONABLE SETTLEMENT BOTH SIDES CAN ACCEPT. HE AGAIN STRESSED GOS WOULD BE MODERATE AND REASONABLE, WANTED SIMPLE LEVY FORMULA (OUTSIDE BROKOPONDO) PLUS PRODUCTION GUARANTEES AS MEANS OF CONTROLLING BAUXITE AGREED IN FEW DAYS; NO NEED TO AWAIT COMMON IBA GUIDELINES, BUT GOS MIGHT RESORT TO IBA IF UNDUE DELAY IN REACHING AGREEMENT. RENEWED EXPRESSION OF MODERATION, WE FEEL, STRONGLY INDICATES HIGH LEVY FIGURE, WHICH COMPANY COULD HARDLY HAVE BEEN EXPECTED TO ACCEPT, FAR FROM FINAL GOS POSITION.

10. COMPANY FLEXIBILITY UPWARD CIRCUMSCRIBED, OF COURSE, BY SIMILAR OFFER TO DOMINICANS WHICH NOT YET RESOLVED, AND BY ICSID ARBITRATION. ALCOA HOPEFUL DOMINICAN PROPOSAL WILL BE ACCEPTED NEXT FEW DAYS, STRENGTHENING HAND IN NEGOTIATIONS HERE.
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